

Wihlborgs'  
Year-end report

**2018**

January–December

# January–December 2018

## JANUARY–DECEMBER 2018

Rental income increased by 14 percent to SEK 2,684 million (2,351)

Operating surplus increased by 13 percent to SEK 1,941 million (1,717)

Income from property management increased by 19 percent to SEK 1,406 million (1,179)

Result for the period amounts to SEK 2,403 million (2,568), corresponding to earnings per share of SEK 15.63 kr (16.71)

EPRA NAV per share amounts to SEK 122.64 kr (114.00).

The Board of Directors proposes a dividend of SEK 3.75 (3.13) per share.

## Group key figures, SEK m

	2018	2017	2018	2017
	Oct–Dec	Oct–Dec	Jan–Dec	Jan–Dec
Rental income	<b>687</b>	633	<b>2,684</b>	2,351
Operating surplus	<b>479</b>	440	<b>1,941</b>	1,717
Income property management	<b>355</b>	295	<b>1,406</b>	1,179
Changes in value of properties	<b>854</b>	993	<b>1,312</b>	1,851
Changes in value of derivatives	<b>-90</b>	25	<b>37</b>	201
Result for the period	<b>934</b>	1 073	<b>2,403</b>	2,568
Earnings per share, SEK	<b>6.08</b>	6.98	<b>15.63</b>	16.71
Surplus ratio, %	<b>70</b>	70	<b>72</b>	73
Equity/assets ratio, %	<b>36.3</b>	34.7	<b>36.3</b>	34.7
Occupancy rate, %*	<b>94</b>	94	<b>94</b>	94
EPRA NAV per share, SEK	<b>122.64</b>	114.00	<b>122.64</b>	114.00

\*) Excluding Projects & Land.





Since the start of the 21st century, Dockan in Malmö has been developed from a shipyard to a city district of offices, homes and marinas, with easy access to the water and the city centre. Today, Wihlborgs manages 160,000 m<sup>2</sup> in Dockan, with tenants such as Orkla Foods, SVT, Telia, Kockums, Mercedes-Benz and Tyréns.



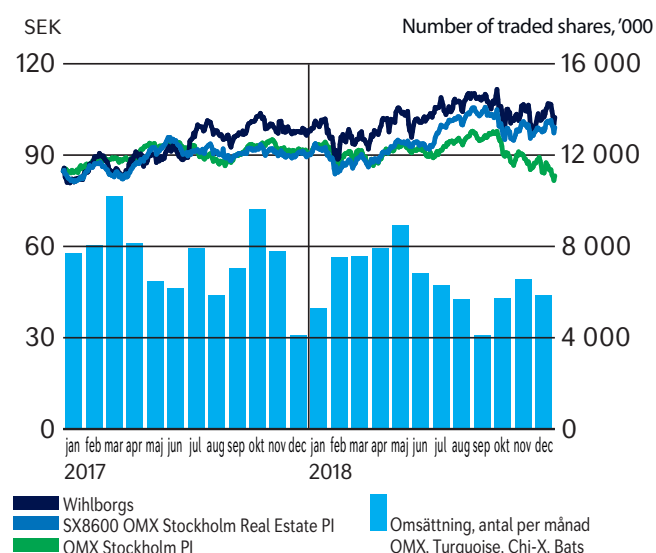
# Financial targets

- A return on equity that exceeds the riskfree interest rate by no less than six percentage points
- An equity/assets ratio of no less than 30 percent
- An interest coverage ratio of no less than 2.0
- The loan-to-value ratio is not to exceed 60 percent

See page 19 for outcome

# Development of share price

01-01-17–31-12-18



# Jan–Dec 2018

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# Forthcoming reports

Annual Report	<b>April 2019</b>
Interim report Jan–Mar	<b>25 April 2019</b>
Interim report Jan–Jun	<b>8 July 2019</b>
Interim report Jan–Oct	<b>24 October 2019</b>

Wihlborgs' interim reports and the Annual Report are distributed electronically. The Annual Report is printed in Swedish and sent to any shareholders notifying the Company that they wish to receive it in printed form.

Wihlborgs Fastigheter AB (publ) is a property company that focuses on commercial properties in the Öresund region. Its property portfolio is located in Malmö, Lund, Helsingborg and Copenhagen. In Malmö, Lund and Helsingborg Wihlborgs is the leading property company. The book value for the Company's properties totals SEK 42.1 billion. The annual rental value of the properties is SEK 3.0 billion. Wihlborgs shares are quoted on the Large Cap List of NASDAQ Stockholm.

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This information is of such a kind that Wihlborgs Fastigheter AB (publ) is legally required to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the agency of the above contact people on **12 February 2019 kl. 07:30 CET**.



## CEO's comments

Wihlborgs continued to grow through the fourth quarter of 2018. Our rental income increased to SEK 687 million, corresponding to a 9 percent year-on-year increase, and was mainly driven by acquisitions and new projects, but also by increasing rents and decreasing vacancies. The operating surplus was SEK 479 million, also up 9 percent. Income from property management grew a full 20 percent as the increased operating surplus was boosted by lower interest expenses compared with last year.

Net lettings amounted to SEK 14 million for the quarter, and SEK 85 million for the full year. Among the many lettings in the quarter, I would like to mention Volvo Cars, which established its first office of 600 m<sup>2</sup> at Ideon in Lund in 2016, and which is now, for the second time, expanding its space. From the start of next year, they will lease 7,000 m<sup>2</sup> adjacent to Ideontorget, where the new tram stop will enter operation next year.

Lettings remain strong and our office vacancies are at very low levels.

Given this background, I am pleased that we continue to be active in projects and development. In 2018, our investments noted a new peak, just over SEK 1.2 billion.

The Dungen project in Hyllie is nearing completion, with Swedish Customs moving in on 1 April and thereafter on an ongoing basis in the remainder of 2019. The Origo project is in full production in Hyllie, and the Kranen 2 property in the Dockan area of Malmö is undergoing redevelopment for the police training programme at Malmö University. At Medeon, we are constructing a new building aimed at meeting the existing tenants' needs for expansion. In Helsingborg, the project for Helsingborg District Court is nearing completion and we have also started the Prisma office project at Oceanhamnen. In central Lund, we are constructing the Sockerbiten office building, on which we have now signed the first lease. Finally, I would like to mention that in February, several tenants are moving in to Mileparken 22 in Copenhagen, which has undergone an extensive renovation.

Low vacancies and healthy demand mean that these

properties form the foundation for our continued growth. By virtue of our size in the markets where we operate, we can use our projects to build an even stronger and more attractive region. This is good for our tenants and is good for us.

In the fourth quarter, we acquired the Nya Vattentornet 3 property in Lund, and now in February, we have also acquired the adjacent properties: Nya Vattentornet 2 and 4. In total, the properties comprise a lettable area of some 70,000 m<sup>2</sup>, a multistorey car park and development rights representing continued development potential. This strengthens our position at Ideon, where we have identified opportunities for healthy growth in a highly academic and innovative environment, and where the tram is opening up and making the area accessible.

The balance sheet remains strong with an equity/assets ratio of just over 36 percent. Early settlement of our interest-rate derivatives increased borrowings by slightly more than SEK 900 million. This means that interest expenses in forthcoming years can be expected to be lower than before. After entering into new interest rate derivatives we still have

a relatively long average fixed-interest period of 3.5 years and the average loan maturity is 6 years.

Summarising our results for 2018, one could say it was a record year. As a matter of fact, irrespective of whether one looks at rental income, operating surplus or income from property management, each year since we listed on the stock exchange in 2005 has been a record year. A fact that we are naturally proud of, but this is also a sign that a constant desire to strive to take responsibility for what we have and to develop it further is deeply rooted in our culture. My heartfelt thanks to all of the Wihlborgs' employees who, through their efforts in 2018 and in previous years, have laid the groundwork for this growth. Together, we will continue to build our company and our region in the forthcoming years.

Ulrika Hallengren, vd

## Market comments

Both globally and in Sweden, we have enjoyed a long and favourable period of growth, but now there is a risk of a downturn in many economies. Global growth topped 3.7 percent in 2017 and is expected to slow to just over 3.3 percent for 2019 and 2020, according to Nordea's Nordic Outlook, January 2019.

Over the past ten years, the Swedish economy has grown faster than those of many other countries. We have seen a high level of resource utilisation and an expansionary monetary policy that has generated increased employment and rising incomes. This has provided conditions for strong credit growth and sharply rising housing prices, a trend that was broken in 2017. The decline in housing starts is expected to drag down GDP growth by around 0.5 percentage points each year in 2019 and 2020. Altogether, Nordea expects GDP to grow 1 percent in 2019 and 1.3 percent in 2020.

However, a continued high rate of population growth will support demand. The service and energy sectors are projected to expand, and stable public finances allow scope for expansion of the public sector. Employment growth is expected to slow from a high level of 1.8 percent in 2018, primarily in the construction sector, but likely also in the industrial sector. Prospects look more favourable for the service sector and municipalities.

Inflation is expected to remain low and the economic slowdown leaves few reasons for the Riksbank to raise its

repo rate. However, Nordea expects that the Riksbank will shadow the ECB, with the aim of preventing any substantial weakening of the exchange rate and to raise the repo rate from an extremely low level. The repo rate is expected to hit 0.25 percent by the end of 2020.

Nordea forecasts GDP growth of 1.8 percent in 2019 and 1.7 percent in 2020 for Denmark. Moving forward, growth will mainly be driven by domestic factors: household consumption and increased corporate investment. The labour market remains strong, and by the end of 2020, unemployment is expected to be only 3.4 percent. The Danish central bank is expected to mirror the ECB and raise interest rates, even if an earlier increase is possible if the DKK continues to decline.

Employment growth in Wihlborgs' sub-markets in the Öresund region remained healthy and boosted demand for office and commercial premises. Wihlborgs has noted high activity levels in all its Swedish regions and lettings have been strong, not least in Malmö.

The Swedish property market continues to be one of the most liquid in the world. The 2018 transaction year was one of the strongest ever, according to Newsec, with a transaction volume of slightly less than SEK 155 billion (151). 2019 is also expected to be a strong transaction year. Activity remains high in Denmark, with a transaction volume of DKK 74 billion (84) in 2018.



# Income, expenses and profits, Jan–Dec 2018

Comparative figures for income statement items relate to values for the corresponding period 2017 and balance sheet items as of 31-12-2017.

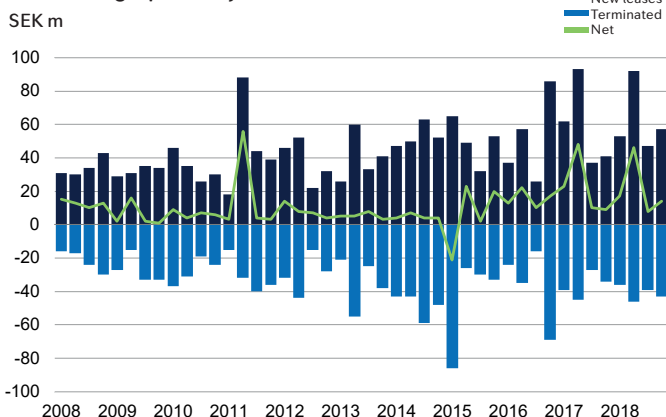
## Rental income

Rental income was SEK 2,684 million (2,351). Service income was SEK 250 million (212) of the rental income. Property acquisitions have contributed with SEK 191 million to rental income growth. Remaining increase is attributable to completed projects, re-negotiations, new lettings and indexation in contracts. Furthermore, a stronger Danish Krona has resulted in an increase in income by SEK 26 million.

The total growth in rental income was 14 percent compared with the corresponding period 2017.

The occupancy rate for investment properties, excluding Projects & Land, is 94 percent which is unchanged compared with previous year-end.

## Net letting, quarterly



During the period new leases were signed to a value of SEK 249 million (233) on an annualized basis. Lease terminations totalled SEK 164 million (143). This represents a net letting of SEK 85 million (90).

## Property expenses

Total property expenses amounted to SEK 743 million (634). The increase is mainly due to property acquisitions and completed projects.

The historical summary at the bottom of page 17 illustrates how costs vary over the different quarters of the year.



There are plenty of places for spontaneous meetings at Wihlborgs' new head office, Gängtappen. Pictured is Dag Widell, Head of IT and digital business development, in a discussion with property managers Sofia Albinsson and Ida Lejdström.

## Operating surplus

The operating surplus amounted to SEK 1,941 million (1,717) representing a surplus ratio of 72 percent (73). Of this increase, SEK 134 million was attributable to property acquisitions.

## Central administration

The costs for central administration were SEK 65 million (55).

## Financial income and expense

Net interest totalled SEK -471 million (-483), of which interest income accounted for SEK 11 million (12).

The interest expense for the period, incl. realized effects from interest rate derivatives, was SEK 482 million (495). In the fourth quarter, the Group's interest-rate derivative portfolio was restructured, with existing derivatives settled early and new derivatives entered into. This resulted in lower interest expenses toward the end of the year. Interest expense relating to interest derivatives amounted to SEK 272 million. At the end of the period, the average interest rate, including the cost of credit agreements, was 1.40 percent, compared with 2.53 at the previous year-end.

## Income from property management

Income from property management amounted to SEK 1,406 million (1,179).

## Pre-tax profit

The pre-tax profit, i.e. after value changes on properties and derivatives, was SEK 2,755 million (3,231). During the period value changes on properties amounted to SEK 1,312 million (1,851) and value changes on derivatives amounted to SEK 37 million (201).

## Profit after taxes

The profit after taxes was SEK 2,403 million (2,568). Total tax amounted to SEK 352 million, of which current tax SEK 39 million and deferred tax SEK 313 million. Deferred tax has been reduced by a tax income of SEK 210 million due to the decision to reduce the corporation tax rate in Sweden to 20.6 percent in two steps until 2021.



During the fourth quarter, Volvo Cars signed a contract for larger premises at Ideon in Lund, where development operations are increasing significantly — from 2,000 m<sup>2</sup> to 7,000 m<sup>2</sup>.



# Assets

## Property portfolio as of 31 December 2018

The summaries below are based on Wihlborgs' property portfolio as of 31 December 2018. Rental income relates to contracted rental income on an annual basis as of 1 January 2019.

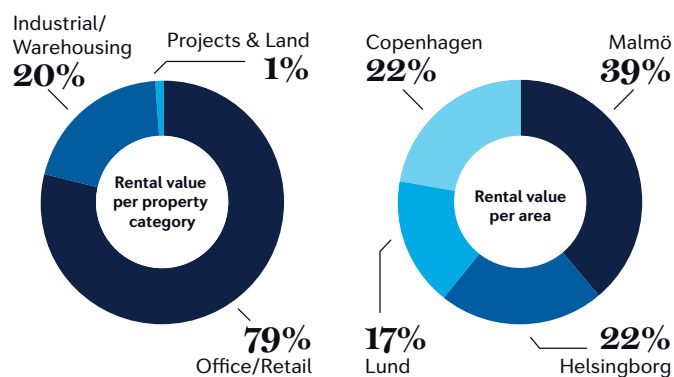
The surplus ratio is based on the properties' earning capacity on an annual basis based on rental income for December 2018, operating and maintenance costs, property administration on a rolling twelve-month basis, property tax and leasehold rent.

Wihlborgs' property portfolio consists of commercial properties in the Öresund region, located in Malmö, Helsingborg, Lund and Copenhagen. The property portfolio 31 December 2018 consisted of 310 properties (308) with a lettable area of 2,106,000 m<sup>2</sup> (2,067,000).

10 of the properties (10) are leasehold rights. The properties' carrying amount was SEK 42,146 million (38,612), which corresponds to the estimated market value. The total rental value was SEK 2,997 million (2,678) and the contracted rental income on annual basis SEK 2,796 million (2,485). The like-for-like increase in contracted rental income was 4.6 percent compared to 12 months previously.

The economic occupancy rate for Office/Retail properties was 95 percent (94) and for Industrial/Warehousing properties 90 percent (91). The rental value for Office/Retail properties represented 79 percent, Industrial/Warehousing properties 20 percent of the total rental value and the remaining one percent is attributable to Projects/Land.

The operating surplus from investment properties, excluding property administration and Projects/Land, is SEK 2,168 million (1,997) which with a carrying amount of SEK 40,039 million (36,821) corresponds to a yield of 5.4 percent (5.4). Broken down by property category, this is 5.2 percent (5.1) for Office/Retail and 6.7 percent (7.1) for Industrial/Warehousing.



In December, Wihlborgs acquired two sites at Science Village Scandinavia in Lund, with development rights for approximately 12,000 m<sup>2</sup> of commercial space, where buildings such as the iconic "Space" will serve the Max IV and ESS research facilities with hotel facilities, conference premises and restaurants.



## Changes in values of properties

Malmöbryggan Fastighetsekonomi AB has performed a valuation of all Wihlborgs' properties in Sweden. In Denmark the valuation has been performed by Newsec Advisory A/S. The valuation of the properties as of 31 December 2018 resulted in a value increase at SEK 1 312 million (1 851). The majority of the value increase is due to rising occupancy rate and higher rents, while the yield requirement has remained largely unchanged. SEK 243 million is a result of our project activities.

Fair value is determined by a yield-based method. The value is considered to correspond to the yield value that is calculated from normally five-year cash flow analyses. The value of newbuild projects in progress is determined as the value as if the project were complete, less deduction of the remaining cost. Undeveloped land

is valued according to the comparable sales method

As of 31 December 2018 the carrying amount for the properties was SEK 42,146 million (38,612).

## Investments and current projects

Investments in the property portfolio totalled SEK 1,239 million (1,061).

Approved investments in ongoing projects amount to SEK 2,295 million, of which SEK 1,083 million had been invested at end of period.

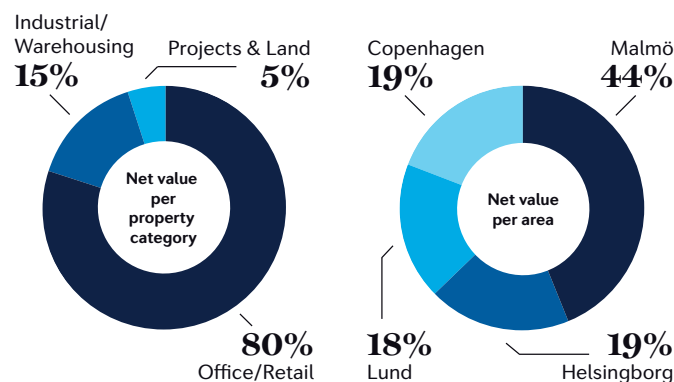
## Liquid assets

The Groups liquid assets totalled SEK 371 million (301) including unutilised overdraft facilities.

At the end of the period unutilized credit facilities amounted to SEK 940 million (1,995).

### CHANGES IN CARRYING AMOUNT OF PROPERTIES

Changes	Group total, SEK m
Carrying amount 1 January 2018	38,612
Acquisitions	900
Investments	1,239
Properties sold	-195
Change in value	1,312
Currency translations	278
Carrying amount 31 December 2018	<b>42,146</b>



Wihlborgs is constructing the office building "Sockerbiten" at the Raffinaderiet 5 property, near the central station in Lund. During the fourth quarter, the municipal parking company LKP signed leases for premises for their head office and reception.

### INVESTMENTS IN PROGRESS >SEK 50 MILLION, 31 DECEMBER 2018

Property	Category of use	Municipality	Completion date	Lettable area, m <sup>2</sup>	Occupancy rate, %	Estimated investment, SEK m	Expended 311218, SEK m
Mileparken 22	Office/Retail	Copenhagen	Q1 2019	11,000	85	69	39
Gimle 1	Office/Retail	Malmö	Q2 2019	9,000	100	392	328
Polisen 5	Office/Retail	Helsingborg	Q3 2019	4,000	100	182	163
Bure 2	Office/Retail	Malmö	Q3 2019	6,800	0	238	111
Kranen 2	Office/Retail	Malmö	Q3 2019	9,000	80	209	62
Raffinaderiet 5	Office/Retail	Lund	Q4 2019	1,900	25	63	33
Forskaren 1	Office/Retail	Malmö	Q3 2020	4,000	0	97	5
Ursula 1	Office/Retail	Helsingborg	Q4 2020	13,000	0	405	34
Terminalen 1	Office/Retail	Helsingborg	Q4 2020	8,800	30	257	26
<b>Total</b>				<b>67,500</b>		<b>1,912</b>	<b>801</b>

**ANALYSIS OF LETTABLE SPACE PER AREA AND CATEGORY OF USE**

Area	Office, m <sup>2</sup>	Retail, m <sup>2</sup>	Ind./Ware- housing, m <sup>2</sup>	Education/ Health care, m <sup>2</sup>	Misc., m <sup>2</sup>	Total, m <sup>2</sup>	Share, %
Malmö	357,162	47,754	253,043	32,556	17,188 <sup>1</sup>	707,703	34
Helsingborg	170,662	60,308	284,558	22,315	11,870 <sup>2</sup>	549,713	26
Lund	156,648	12,286	30,753	31,924	8,645 <sup>3</sup>	240,256	11
Copenhagen	401,140	7,402	94,348	19,349	85,940 <sup>4</sup>	608,179	29
<b>Total</b>	<b>1,085,612</b>	<b>127,750</b>	<b>662,702</b>	<b>106,144</b>	<b>123,643</b>	<b>2,105,851</b>	<b>100</b>
<b>Share, %</b>	<b>52</b>	<b>6</b>	<b>31</b>	<b>5</b>	<b>6</b>	<b>100</b>	

1) Includes 10,275 m<sup>2</sup> hotel.2) Includes 1,819 m<sup>2</sup> residential.3) Includes 8,215 m<sup>2</sup> hotel.4) Includes 38,848 m<sup>2</sup> data center, 5,600 m<sup>2</sup> hotel and 7,464 m<sup>2</sup> residential.**ANALYSIS PER PROPERTY CATEGORY IN EACH MANAGEMENT AREA**

Area/ property category	Number of properties	Area, m <sup>2</sup> thousand	Carrying amount, SEK m	Rental value, SEK m	Rental value, SEK m/m <sup>2</sup>	Economic occupancy rate, %	Rental income, SEK m	Operating surplus incl. property admin., SEK m	Surplus ratio, %	Operating surplus excl. property admin., SEK m	Yield excl property admin., %
<b>MALMÖ</b>											
Office/Retail	49	430	14,590	922	2,142	96	887	678	77	705	4.8
Industrial/Warehousing	47	245	2,352	219	893	89	195	142	73	152	6.5
Projects & Land	23	32	1,470	18	561	-	3	-1	-	-	-
<b>Total Malmö</b>	<b>119</b>	<b>708</b>	<b>18,412</b>	<b>1,159</b>	<b>1,637</b>	<b>94</b>	<b>1,085</b>	<b>819</b>	<b>75</b>	<b>857</b>	<b>4.7</b>
<b>HELSINGBORG</b>											
Office/Retail	30	177	4,748	340	1,917	96	326	243	75	253	5.3
Industrial/Warehousing	62	372	3,130	320	860	91	291	208	72	224	7.2
Projects & Land	11	-	320	-	797	-	-	-1	-	-	-
<b>Total Helsingborg</b>	<b>103</b>	<b>550</b>	<b>8,198</b>	<b>660</b>	<b>1,200</b>	<b>93</b>	<b>617</b>	<b>451</b>	<b>73</b>	<b>477</b>	<b>5.8</b>
<b>LUND</b>											
Office/Retail	24	221	7,473	507	2,299	93	471	348	74	381	5.1
Industrial/Warehousing	4	20	179	15	766	98	15	12	80	13	7.0
Projects & Land	4	-	86	-	-	-	-	-	-	-	-
<b>Total Lund</b>	<b>32</b>	<b>240</b>	<b>7,738</b>	<b>522</b>	<b>2,173</b>	<b>93</b>	<b>485</b>	<b>360</b>	<b>74</b>	<b>394</b>	<b>5.1</b>
<b>COPENHAGEN</b>											
Office/Retail	45	531	7,055	607	1,143	94	571	393	69	413	5.9
Industrial/Warehousing	8	55	512	44	790	87	38	26	69	27	5.3
Projects & Land	3	22	232	5	-	-	1	-2	-	-1	-
<b>Total Copenhagen</b>	<b>56</b>	<b>608</b>	<b>7,799</b>	<b>656</b>	<b>1,079</b>	<b>93</b>	<b>609</b>	<b>417</b>	<b>68</b>	<b>439</b>	<b>5.6</b>
<b>Total Wihlborgs</b>	<b>310</b>	<b>2,106</b>	<b>42,146</b>	<b>2,997</b>	<b>1,423</b>	<b>93</b>	<b>2,796</b>	<b>2,047</b>	<b>73</b>	<b>2,166</b>	<b>5.1</b>
<b>Total excluding Projects and Land</b>	<b>269</b>	<b>2,052</b>	<b>40,039</b>	<b>2,973</b>	<b>1,449</b>	<b>94</b>	<b>2,792</b>	<b>2,050</b>	<b>73</b>	<b>2,168</b>	<b>5.4</b>





One of the acquisitions made in Copenhagen during the year, Meterbuen 27–33 in Ballerup, added some 17,000 m<sup>2</sup> to Wihlborgs' Danish holdings.

## Property transactions

In the fourth quarter, Wihlborgs acquired the Nya Vattentornet 3 property in Lund. This office property encompasses around 21,000 m<sup>2</sup>, with Ericsson and Cellavision as the largest tenants. The project properties, Kunskapen 1 and Vetskapen 1 at Science Village Scandinavia in Lund, were also acquired during the quarter.

### PROPERTY ACQUISITIONS AND SALES JANUARY–DECEMBER 2018

Quarter	Property	Municipality	Management area	Category	Area, m <sup>2</sup>	Price, SEK m	Operating surplus 2018, SEK m <sup>1</sup>
<b>Acquisitions</b>							
1	Blokken 84	Rudersdal	North Copenhagen	Ind./Warehousing	8,606		
1	Mileparken 9A	Ballerup	East Copenhagen	Ind./Warehousing	4,976		
1	Raffinaderiet 3	Lund	Central Lund/Gastelyckan	Office/Retail	4,889		
1	Raffinaderiet 5	Lund	Central Lund/Gastelyckan	Projects & Land	-		
2	Bunkagärdet 6	Helsingborg	South Helsingborg	Ind./Warehousing	556		
2	Musköten 15	Helsingborg	Helsingborg Berga	Ind./Warehousing	1,620		
3	Meterbuen 27	Ballerup	East Copenhagen	Office/Retail	17,255		
4	Nya Vattentornet 3	Lund	Lund Ideon	Office/Retail	20,811		
4	Kunskapen 1	Lund	Lund Ideon	Projects & Land			
4	Vetskapen 1	Lund	Lund Ideon	Projects & Land			
<b>Total acquisitions 2018</b>					<b>58,713</b>	<b>900</b>	<b>27</b>
<b>Försäljningar</b>							
2	Förbygelin	Malmö	Outer Malmö	Ind./Warehousing	5,146		
2	Löplinan	Malmö	Outer Malmö	Ind./Warehousing	2,489		
2	Stridsyxan	Malmö	Outer Malmö	Ind./Warehousing	8,522		
2	Stångbettet	Malmö	Outer Malmö	Ind./Warehousing	3,943		
3	Ringspännat 3	Malmö	Outer Malmö	Ind./Warehousing	3,807		
3	Gjuteriet 22	Malmö	Outer Malmö	Projects & Land	-		
<b>Total sales 2018</b>					<b>23,907</b>	<b>195</b>	<b>6</b>

1) Operating surplus from properties acquired and sold that are included in the results for the period.

# Liabilities and equity

As of 31 December 2018 equity totalled SEK 15,530 million (13,592) after dividend payment of SEK 480 million in the second quarter. The equity/assets ratio amounted to 36.3 percent (34.7).

## Interest-bearing liabilities

The group's interest-bearing liabilities as of 31 December amounted to SEK 22,814 million (20,653) with an average interest rate including costs for credit agreements of 1.40 percent (2.53).

With consideration to the company's net debt of SEK 22,8 billion, as a percentage of property values, the loan-to-value ratio is 54.1 percent (53.5).

The loans' average fixed interest period including effects of derivatives on 31 December 2018 amounted to 3.5 years (4.0). The average loan maturity, including committed credit facilities, amounted to 6.0 years (6.2).

### STRUCTURE OF INTEREST AND LOAN MATURITIES AS OF 31 DECEMBER 2018

Matures, year	Interest maturity		Loan maturity	
	Loan amount, SEK m	Av. interest rate, %	Credit ag., SEK m	Utilised, SEK m
2019	10,491	1.11	4,170	3,586
2020	2,887	0.85	7,738	7,471
2021	1,630	1.19	5,395	5,306
2022	1,130	1.39	0	0
2023	1,130	1.57	0	0
<2023	5,546	2.21	6,451	6,451
<b>Totalt</b>	<b>22,814</b>	<b>1.39*</b>	<b>23,754</b>	<b>22,814</b>

\* Excluding costs for credit agreements

### INTEREST RATE DERIVATIVES PORTFOLIO 31 DECEMBER 2018

#### Interest rate swaps

Maturity	Amount, SEK m	Interest, %
2020	1,630	-0.04
2021	1,630	0.13
2022	1,130	0.32
2023	1,130	0.50
2024	788	0.66
2025	788	0.82
2026	752	0.96
2027	752	1.05
2028	752	1.12

In the fourth quarter, the Group's interest-rate risk was restructured, whereupon all deficit values in the existing interest-rate derivative portfolio were prematurely settled and new interest-rate derivatives entered into. Value changes for early settled interest-rate derivatives amounted to SEK 927 million, which had a corresponding impact on cash flow. The deficit value in Wihlborgs' new interest-rate derivative portfolio at the end of the year was SEK 26 million (943).

Interest-rate derivatives are recognised at fair value in accordance with IAS 9.

For information on the valuation approach for interest-rate derivatives, see page 95 of the 2017 Annual Report.

# Miscellaneous

## Employees

At the period end Wihlborgs' number of full-time employees was 187 (149), 81 of whom are property caretakers.

There were 66 employees in Malmö, 30 in Helsingborg, 23 in Lund and 68 in Copenhagen. The average age is 44 years and the proportion of women is 35 percent.

## Parent company

The parent company owns no properties, but deals with questions relating to the stock market and joint Group functions for administration, management and borrowing. The parent company's turnover is mostly related to the billing of services to Group companies.

The parent company has invested SEK 1,234 million (774), in shares in subsidiaries, including shareholders' contributions, during the period.

The parent company's income statement and balance sheet are found on page 18.

## Participations in other companies

A description of all participations held by Wihlborgs in other companies will be found on pages 102–103 in the Company's 2017 Annual Report.



## Largest shareholders

The largest shareholder in Wihlborgs is Erik Paulsson with family and company, with 10.3 percent of the shares outstanding.

Shares held by owners registered abroad account for 43 percent. The number of shareholders is 24,436.

### LARGEST SHAREHOLDERS IN WIHLBORGS 31 DECEMBER 2018

	Number of shares, thousands	Proportion of equity and votes, %
Erik Paulsson with family, privately and via company	15,766	10.3
SEB funds	8,720	5.7
Länsförsäkringar funds	4,637	3.0
Qviberg family	4,277	2.8
Bank of Norway	4,072	2.6
SHB funds	3,589	2.3
Tibia Konsult AB	1,625	1.1
Öhman funds	1,404	0.9
Fjärde AP-fonden	1,331	0.9
Skandia funds	1,321	0.9
Other shareholders reg. in Sweden	44,397	28.8
Other shareholders reg. abroad	62,574	40.7
<b>Total outstanding shares</b>	<b>153,713</b>	<b>100.0</b>

## Significant risks and uncertainty factors

Wihlborgs operations, financial status and profit are affected by a number of risk factors. Risks that have a decisive influence on the Group's profit trend are variations in rental income, interest rate changes, costs, property valuations and taxes. There are also risks relating to liquidity and funding.

There is a comprehensive description of the risks facing the Group on pages 75–79 and 96–97 in the Company's 2017 Annual Report.

## Accounting policies

Wihlborgs follows the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Union. The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Information under IAS 34 Interim Financial Reporting is submitted in the notes and elsewhere in the interim report.

The overwhelming majority of Wihlborgs' rental income consists of revenue, which is covered by IAS 17 Leasing. In conjunction with IFRS 15 Revenue from Contracts with Customers entering force on 1 January 2018, Wihlborgs has reviewed total rental income and determined that the Group's service income should be reported separately from other rental income. Service income comprises all onward invoicing in the form of heating, electricity, etc., while other rental income pertains to standard invoiced rent including index and property tax. Disclosures pertaining to the

above can be found under the Rental income heading on page 6 of this report. Wihlborgs has identified service income in Denmark that was previously reported as a net figure. From 2018, this income will be reported gross, since the company acts as the principal and not the agent. The change has no impact on operating profit but entails an increase in total rental income together with a corresponding increase in operating costs.

IFRS 9 Financial Instruments replaced IAS 39 as of 1 January 2018. The standard contains new principles for the classification and measurement of financial assets and liabilities. The single largest item encompassed by the new standard is interest-rate derivatives, which will continue to be measured at fair value through profit or loss. Wihlborgs hedges the net investment in Denmark via loans in DKK and already hedge accounts for this. After analysis of the changes in IFRS 9, it has been determined that the new principles have no material impact on the financial reporting. IFRS 9 also includes a new model for provisions for credit losses, which takes into account the company's expected credit losses. In practice, the new model has no material impact on the reported rent receivables.

IFRS 16 – Leases will replace IAS 17 as of 1 January 2019. The standard means that essentially all leases will be recognised in the balance sheet as right-of-use assets. The right-of-use and the liability are valued at the present value of future lease payments. As the lessor, the change is not expected to impact Wihlborgs' financial reporting. As a lessee, the most material items have been identified as the ground rents. As of 1 January 2019, the lease liability amounted to SEK 146 million, for which a corresponding right-of-use will be recognised. From 1 January 2019, costs for ground rents will be recognised as financial expenses, which differs from the current principle whereby these are recognised as operating costs. Income from property management will remain unaffected. The recognised expenses for ground rents was SEK 5 million in 2018. Wihlborgs' assessment is that the transition to IFRS 16 will



In November, Wihlborgs was certified as a Great Place to Work for the third time. CEO Ulrika Hallengren and Wihlborgs' extended Group Management accepted the award.

not have any significant impact on the Group's reporting, financial position or cash flow analysis.

Otherwise, the accounting policies and calculation methods conform with those applied in the latest annual report. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Corporate Groups and the Parent Company applies RFR 2.

The financial reports are found on pages 15–19.

## Proposal to the AGM

The Board of Directors proposes that the Annual General Meeting approve the following resolutions:

- a dividend of SEK 3.75 kronor (3.13) per share, making a total payment of SEK 576 million. The proposal represents an increase of 20 percent over the figure for the preceding year. The proposal is also in line with Wihlborgs' dividend policy, which states that the dividend paid will represent 50 percent of the income from property management and 50 percent of profit realized from property sales, after deduction of tax at a standard rate of 21.4 percent.
- authorization to the Board, in the period until the next AGM, to acquire and transfer Wihlborgs shares corresponding to no more than 10 percent of the shares outstanding.
- authorization to the Board, in the period until the next AGM, to approve a new share issue corresponding to a maximum of 10 percent of the shares outstanding.

## New corporate sector tax rules

In June the Swedish parliament approved a bill regarding new corporate sector tax rules which, among others, includes limits to tax relief for interest expenses in accordance with the EU's directive.

In brief, the proposal entails the following:

- Deductibility of interest is capped at 30 percent of taxable EBITDA.
- Reduction of corporation tax in two stages to 20.6 percent by 2021.
- Reintroduction of primary deductions of 12 percent for rental accommodation the first six years following redevelopment or new construction.

For Wihlborgs, the new rules mean an increase in the tax assessment basis in parallel with a lower nominal tax rate. However, the amount of tax paid is not expected to increase over the next few years due to the cap on interest tax relief. Moreover, the lowered nominal tax rate means that the deferred tax liability will be recalculated, which as of 31 December 2018 results in a fiscal taxable revenue of SEK 210 million. The new rules were implemented by 1 January 2019.

## Events after the accounting period

In February 2019 Wihlborgs acquired the Nya Vattentornet 2 and 4 properties at Ideon in Lund. The properties comprise approximately 49 000 m<sup>2</sup> of office space and a multistorey car park of around 370 parking spaces. The properties were acquired for an underlying property value of SEK 1,260 million. The rental value is SEK 105 million and the properties are currently just over 20 percent vacant.

*Malmö 12 February 2019*

**Wihlborgs Fastigheter AB (publ)**

Ulrika Hallengren, CEO

This Year-end report has not been reviewed by the company's auditors.



Wihlborgs' office project Origo (Bure 2) is constructed close to Hyllie station, between Copenhagen Airport and Malmö C. The project encompasses 6,800 m<sup>2</sup> of lettable area.



**CONSOLIDATED INCOME STATEMENT summary**

SEK m	2018 Oct-Dec 3 months	2017 Okt-Dec 3 months	2018 Jan-Dec 12 months	2017 Jan-Dec 12 months
<b>Rental income</b>	<b>687</b>	<b>633</b>	<b>2,684</b>	<b>2,351</b>
Operating costs	-105	-99	-379	-321
Repairs and maintenance	-29	-24	-88	-78
Property tax	-39	-36	-155	-132
Leasehold rent	-1	-2	-5	-5
Property administration	-34	-32	-116	-98
<b>Total property costs</b>	<b>-208</b>	<b>-193</b>	<b>-743</b>	<b>-634</b>
<b>Operating surplus</b>	<b>479</b>	<b>440</b>	<b>1,941</b>	<b>1,717</b>
Central administration	-18	-15	-65	-55
Ränteintäkter	2	3	11	12
Räntekostnader	-109	-133	-482	-495
Share in results of joint ventures	1	0	1	0
<b>Income from property management</b>	<b>355</b>	<b>295</b>	<b>1,406</b>	<b>1,179</b>
Change in value of properties	854	993	1,312	1,851
Change in value of derivatives	837	25	964	201
Change in value of terminated derivatives	-927	0	-927	0
<b>Pre-tax profit</b>	<b>1,119</b>	<b>1,313</b>	<b>2,755</b>	<b>3,231</b>
Current tax	-9	-20	-39	-27
Deferred tax	-176	-220	-313	-636
<b>Profit for the period <sup>1</sup></b>	<b>934</b>	<b>1,073</b>	<b>2,403</b>	<b>2,568</b>
<b>OTHER TOTAL PROFIT/LOSS<sup>2</sup></b>				
Translation differences and hedging for international activities, including tax	-4	6	15	3
<b>Total comprehensive income for the period <sup>1</sup></b>	<b>930</b>	<b>1,079</b>	<b>2,418</b>	<b>2,571</b>
Earnings per share <sup>3</sup>	6.08	6.98	15.63	16.71
No. of shares at end of the period, thousands <sup>4</sup>	153,713	153,713	153,713	153,713
Average no. of shares, thousands <sup>4</sup>	153,713	153,713	153,713	153,713

1) The entire profit/income is attributable to the parent company's shareholders.

2) Refers to records that will be transferred to the result for the period.

3) Key ratios per share have been calculated based on a weighted average number of shares during the period. There are no outstanding subscription options, convertibles or other potential ordinary shares and accordingly, no dilution effects to take into consideration.

4) Recalculation for share split 2:1 in May 2018 has been made.

**CONSOLIDATED BALANCE SHEET summary**

SEK m	31-12-2018	31-12-2017
<b>ASSETS</b>		
Investment properties	42,146	38,612
Other fixed assets	351	312
Current receivables	62	114
Liquid assets	183	179
<b>Total assets</b>	<b>42,742</b>	<b>39,217</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	15,530	13,592
Deferred tax liability	3,295	2,989
Borrowings	22,814	20,653
Derivatives	26	943
Other long-term liabilities	67	55
Current liabilities	1,010	985
<b>Total equity &amp; liabilities</b>	<b>42,742</b>	<b>39,217</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

SEK m	Jan–Dec 2018	Jan–Dec 2017
<b>Total equity at beginning of period</b>	<b>13,592</b>	<b>11,463</b>
<i>Equity attributable to parent company's shareholders</i>		
Opening amount	13,592	11,463
Dividend paid	-480	-442
Profit for the period	2,403	2,568
Other comprehensive income	15	3
<b>Closing amount</b>	<b>15,530</b>	<b>13,592</b>
<i>Equity attributable to minority shares with non-controlling interests</i>		
	-	-
<b>Total equity at end of period</b>	<b>15,530</b>	<b>13,592</b>



**CONSOLIDATED CASH FLOW STATEMENT summary**

Mkr	Oct-Dec 2018	Okt-Dec 2017	Full year 2018	Full year 2017
<b>Operating activities</b>				
Operating surplus	479	440	1,941	1,717
Central administration	-18	-15	-65	-55
Depreciation	1	1	3	2
Net financial items paid	-122	-123	-489	-477
Income tax paid	-12	-34	-14	-34
Change in other working capital	169	78	112	146
<b>Cashflow from operating activities</b>	<b>497</b>	<b>347</b>	<b>1,488</b>	<b>1,299</b>
<b>Investment activities</b>				
Acquisitions of properties	-595	-192	-900	-2,780
Investments in existing properties	-462	-302	-1,239	-1,061
Sales of properties	0	0	195	11
Change in other non-current assets	-4	-16	-42	-24
<b>Cash flow from investment activities</b>	<b>-1,061</b>	<b>-510</b>	<b>-1,986</b>	<b>-3,854</b>
<b>Financing activities</b>				
Dividend paid	0	0	-480	-442
Increase in borrowing	1,499	169	1,896	2,924
Increase in other long-term liabilities	9	0	12	0
Early termination of derivatives	-927	0	-927	0
<b>Cash flow from financing activities</b>	<b>581</b>	<b>169</b>	<b>501</b>	<b>2,482</b>
<b>Cash flow for the period</b>	<b>17</b>	<b>6</b>	<b>3</b>	<b>-73</b>
<b>Opening cash flow</b>	<b>165</b>	<b>173</b>	<b>179</b>	<b>252</b>
<b>Closing cash flow</b>	<b>182</b>	<b>179</b>	<b>182</b>	<b>179</b>

**HISTORICAL SUMMARY OF LAST EIGHT QUARTERS**

SEK m	Q4,2018	Q3,2018	Q2,2018	Q1,2018	Q4,2017	Q3,2017	Q2,2017	Q1,2017
<b>Rental income</b>	<b>687</b>	<b>667</b>	<b>662</b>	<b>668</b>	<b>633</b>	<b>613</b>	<b>556</b>	<b>549</b>
Operating costs	-105	-74	-81	-119	-99	-69	-62	-91
Repairs and maintenance	-29	-19	-20	-20	-24	-17	-19	-18
Property tax	-39	-39	-36	-41	-36	-33	-32	-31
Leasehold rent	-1	-2	-1	-1	-2	-1	-1	-1
Property administration	-34	-28	-27	-27	-32	-26	-20	-20
<b>Operating surplus</b>	<b>479</b>	<b>505</b>	<b>497</b>	<b>460</b>	<b>440</b>	<b>467</b>	<b>422</b>	<b>388</b>
Income from property management	355	372	354	325	295	333	290	261
Profit for the period	934	546	620	303	1,073	603	603	289
Surplus ratio, %	69.7	75.7	75.1	68.9	69.5	76.2	75.9	70.7
Investment yield, %	4.7	5.0	5.0	4.7	4.7	5.3	5.0	4.7
Equity/assets ratio, %	36.3	35.7	34.7	34.7	34.7	33.3	34.4	34.8
Return on equity, %	24.8	15.2	17.7	8.8	32.9	19.7	20.4	10.0
Earnings per share, SEK	6.08	3.55	4.03	1.97	6.98	3.92	3.92	1.88
Income property management per share, SEK	2.31	2.42	2.30	2.11	1.92	2.17	1.89	1.70
Cash flow fr operating activities per share, SEK	3.23	2.35	2.23	1.87	2.26	2.79	1.84	1.56
EPRA net asset value per share, SEK	122.64	120.58	117.11	116.41	114.00	105.72	101.65	99.43
Share price as % of Equity II	83.5	88.7	88.5	83.1	86.1	94.2	87.6	85.4
Carrying amount of properties	42,146	40,260	39,856	39,396	38,612	36,928	34,019	33,217
Equity	15,530	14,600	14,058	13,913	13,592	12,513	11,916	11,752
Total assets	42,742	40,883	40,549	40,127	39,217	37,580	34,604	33,815

Definitions are available at [wihlborgs.se](http://wihlborgs.se)

**CONSOLIDATED SEGMENT REPORTING JAN–DEC**

Property management	Malmö		Helsingborg		Lund		Copenhagen		Total	
SEK m	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Rental income	1,053	991	595	552	427	381	609	427	2,684	2,351
Property costs	-273	-250	-160	-154	-118	-100	-192	-130	-743	-634
Operating surplus	780	741	435	398	309	281	417	297	1,941	1,717

In the Group's internal reporting, activities are divided into the above segments, which are the same as described in the latest annual report. The total operating surplus shown above corresponds with the operating surplus recorded in the income statement.

The difference between the operating surplus of SEK 1,941 million (1,717) and the pre-tax profit of SEK 2,755 million (3,231) consists of central administration SEK -65 million (-55), net interest SEK -471 Mkr (-483), share in results of joint ventures SEK 1 million (0) and changes in value of properties and derivatives SEK 1,349 million (2,052). A more detailed description of the segments is provided in the Annual Report.

**PARENT COMPANY'S INCOME STATEMENT summary**

SEK m	Jan–Dec 2018	Jan–Dec 2017
Income	162	145
Expenses	-176	-153
<b>Operating profits</b>	<b>-14</b>	<b>-8</b>
Financial income	1,682	1,622
Financial expenses	-586	-587
<b>Pre-tax profit</b>	<b>1,082</b>	<b>1,027</b>
Appropriations	156	0
Tax	-18	-3
<b>Profit for the period</b>	<b>1,220</b>	<b>1,024</b>

**PARENT COMPANY'S BALANCE SHEET summary**

SEK m	31-12-2018	31-12-2017
Participations in Group companies	9,860	9,073
Receivables fr Group companies	12,008	11,615
Other assets	576	591
Cash and bank balances	2	19
<b>Total assets</b>	<b>22,446</b>	<b>21,298</b>
Equity	4,608	3,869
Liabilities to credit institutions	14,974	13,624
Derivatives	26	943
Liabilities to Group companies	2,752	2,712
Other liabilities	86	150
<b>Total equity and liabilities</b>	<b>22,446</b>	<b>21,298</b>

**KEY FIGURES FOR THE GROUP**

SEK m	2018	2017
<b>FINANCIAL</b>		
Return on equity, %	16.5	20.5
Return on total capital, %	8.8	11.1
Equity/assets ratio, %	36.3	34.7
Interest coverage ratio, multiple	3.9	3.4
Leverage properties, %	54.1	53.5
Debt/equity ratio, multiple	1.5	1.5
<b>SHARE-RELATED</b>		
Earnings per share, SEK	15.63	16.71
Earnings per share before tax, SEK	17.92	21.02
EPRA EPS, SEK	8.06	6.84
Cashflow from operations per share, SEK	9.68	8.45
Equity per share I, SEK	101.03	88.42
Equity per share II, SEK	122.47	107.87
EPRA NAV (net asset value) per share, SEK	122.64	114.00
Market value per share, SEK	102.40	98.15
Proposed dividend per share, SEK	3.75	3.13
Dividend yield, % <sup>1</sup>	3.7	3.2
Total return from share, % <sup>1</sup>	7.5	19.3
P/E-ratio I, multiple	6.6	5.9
P/E-ratio II, multiple	12.7	14.4
Number of shares at the end of period, thousands <sup>1</sup>	153,713	153,713
Average number of shares, thousands <sup>1</sup>	153,713	153,713
<b>PROPERTY-RELATED</b>		
Number of properties	310	308
Carrying amount of properties, SEK m	42,146	38,612
Estimated investment yield, % – all properties	4.9	4.9
Estimated direct return, % – excl project properties	5.1	5.1
Lettable area, m <sup>2</sup>	2,105,851	2,066,874
Rental income, SEK per m <sup>2</sup>	1,423	1,334
Operating surplus, SEK per m <sup>2</sup>	972	912
Financial occupancy rate, % - all properties	93	93
Financial occupancy rate, % - excl project properties	94	94
Estimated surplus ratio, %	73	74
<b>EMPLOYEES</b>		
Number of employees at period end	187	149

1) Recalculation for share split 2:1 in May 2018 has been made.

Definitions and basis for key ratios are  
available at [wihlborgs.se](http://wihlborgs.se)



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